



May 15, 2000

Surface Transportation Board  
Office of the Secretary, Case Control Unit  
1925 K Street, N.W.  
Washington, D.C. 20423-0001



MAY 16 2000

Part of  
Public Record

RE: STB Ex Parte No. 582 (Sub-No. 1)

Dear Surface Transportation Board:

Please accept this letter as the Northwest Forestry Association's comment on the above notice of proposed rule making. The Northwest Forestry Association (NFA) is a forest products trade organization representing over sixty forest product manufacturers and landowners in Washington and Oregon. Our membership represents a cross section of the industry from large multi-national corporations to small family owned operations.

Many of our members rely on railroads to transport a portion of their finished products to market. Some are located where they rely solely on Class 1 railroads for their shipping needs. Others utilize shortlines to connect with Class 1 railroads, while some truck their products to a reload usually located on a Class 1 railroad. On average, transportation costs are between 10 and 25 percent of sales value and are the third highest cost of production. Like coal, grain and several other commodities, the total tonnage of forest products shipped by on rail is large, however, our industry has many more producers and even more customers the receiving end. This fact makes our situation somewhat unique and very vulnerable to potential changes in the North American railroad structure.

As we testified at your hearing on March 9 regarding this issue, any changes in the existing railroad system would have a direct impact on our members businesses. For that reason, NFA is very concerned about the potential for anymore railroad consolidations and the Board's promulgation of new regulations regarding oversight of such.

Therefore, NFA has three major areas of concern that we feel any revision to the merger rules should address, which are: 1) The forest products industry cannot afford anymore service disruptions or difficulties like those experienced in the last round of major railroad mergers; 2) Any future changes in the North American railroad structure should result in an increased level of competition among the railroads and not further oligopolistic situations that could negatively

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affect service levels and rates paid by shippers and; 3) Any changes in the North American railroad structure should be both market and trade neutral.

### **Service**

Service difficulties and disruptions have a direct affect on our members' bottom line. An inability to have a reliable means to transport their goods to the customer means higher costs and/or lost opportunities. Unfortunately, some Oregon and Washington forest products companies are still recovering from the impact of the last round of railroad mergers. Simply put, any proposed changes to the STB's authorities must include regulations that allow the Board to ensure that shippers are receiving an acceptable level of service and are provided a guarantee that includes a form of measurement and remedy to the shippers. While the current rules provide for some of this, it clearly has not worked in the past.

### **Competition**

NFA's members are not alone in our concerns that any additional mergers would lead to less competition among the railroads and result in increased shipping rates. It is our view that there needs to be a "critical mass" of service providers or there may be a need for some kind of intervention that promotes competition. The STB must have the authority in its regulations to evaluate proposed mergers on the basis of whether they are in the public's interest and not whether they are in the interests of the railroads and their investors. The rules should also provide the STB with the tools to promote and maintain competitive access to rail-lines when considering the approval of a proposed merger.

### **Trade & Market Neutrality**

The wood and paper products industry is a highly competitive sector of our nation's economy. Nation-wide there are several thousand producers, with annual sales totaling approximately \$200 billion. Products are shipped around the continent and the world, competing with products produced in the consumer's own local area. Therefore, since the forest products industry is so competitive, we cannot afford market externalities such as a railroad merger to affect individual producer's access to markets. For these reasons, the Board should have the authorities in the regulations to consider the implications of proposed mergers on markets access and trade relations. It is NFA's view that mergers should not be approved if they are benefiting one set of producers over another.

### **Summary**

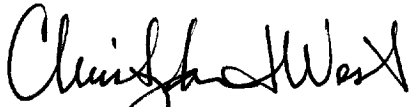
In conclusion, given the concerns stated above, NFA would hope that the STB would promulgate new regulations that authorized the evaluation any proposed merger on the basis of how it would affect service, competition and, market and trade neutrality. Should it be necessary for Congress to legislate some or all of these authorities, NFA and its members are ready to work with the Northwest Congressional delegation to get such a bill passed.

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As required, attached are an original and 25 copies of this letter. Should there be any questions regarding these comments, please contact me at 503-222-9505.

Thank you for the opportunity to submit comments on this important issue to our members.

Sincerely,


A handwritten signature in black ink, appearing to read "Christopher J. West". The signature is fluid and cursive, with the first name "Christopher" and last name "West" being clearly legible.

Christopher J. West  
Vice President

cc: All Parties of Record on Service List  
Senator Slade Gorton  
Senator Ron Wyden  
Senator Gordon Smith  
Senator Patty Murray  
Congressman Peter DeFazio  
Congressman Earl Blumenauer  
Congressman Brian Baird

# **CERTIFICATE OF SERVICE**

I certify that this 15<sup>th</sup> day of May, 2000, I served by united States mail, postage pre-paid, a copy of the foregoing on all the parties of record on the Service List in accordance with the Board's Order of April 28, 2000.

  
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Christopher I. West